

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Benona Township	County Oceana
Fiscal Year End 3/31/06	Opinion Date 7/16/06	Date Audit Report Submitted to State 8/12/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☒ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Hendon & Slate, P.C.		Telephone Number 231-924-6890	
Street Address 711 W. Main Street		City Fremont	State MI
		Zip 49412	
Authorizing CPA Signature 		Printed Name Jodi DeKuiper, CPA	
		License Number 110121180	

**BENONA TOWNSHIP
OCEANA COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

MARCH 31, 2006

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BENONA TOWNSHIP

Board Members

	<u>Position</u>
Steve Fleming	Supervisor
Margie Shaw	Clerk
Ruth Wentzloff	Treasurer
Russell Burmeister	Trustee
John Smith	Trustee



Hendon & Slate, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



Township Board
Benona Township
Oceana County
Shelby, Michigan

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benona Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Townships' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Benona Township, Michigan as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and pages 20 and 21, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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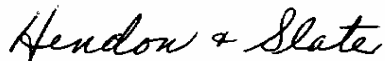
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As discussed in Note A, the Township adopted Governmental Accounting Standards Board Statement Number 34 during the current year. As a result, these financial statements present entirely new financial information. Governmental activities report information by individually significant fund, as well as in total on the full accrual basis of accounting.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Benona Township, Michigan's basic financial statements. The introductory section, combining and individual non major fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in cursive script that reads "Hendon & Slate".

Hendon & Slate, P.C.
Certified Public Accountants
July 17, 2006

BENONA TOWNSHIP

Management's Discussion and Analysis (MD&A) For the Year Ended March 31, 2006

Using this Annual Report

This annual report consists of a series of financial statements. The Governmental Wide Statement of Net Assets and the Government Wide Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's unrestricted net assets (the part of net assets that can be used to finance day-to-day operating) decreased 8% from March 31, 2005 - from \$302,779 to \$278,266. In a condensed format, the table below shows key financial information (in future years, when prior year information is available, a comparative analysis of data will be presented):

	Governmental Activities
Assets	\$ 438,215
Total Assets	\$ 438,215
Liabilities	\$ 25,662
Total Liabilities	\$ 25,662
Net Assets	
Invested in Capital Assets-Net of Debt	\$ 134,287
Unrestricted	478,266
Total Net Assets	\$ 612,553
Program Revenues	
Charges for Services	\$ 5,433
General Revenues	
Property Taxes	282,297
State Shared Revenues	102,658
Metro Act	3,931
Investment Earnings	2,993
Miscellaneous	18,681
Total Revenues	\$ 415,993

Management's Discussion and Analysis (Continued)

Program Expenses	
Legislative	\$ 14,289
General Government	93,361
Public Safety	110,550
Public Works	172,546
Recreation and Culture	10,733
Unallocated Depreciation	<u>10,292</u>
Total Expenses	<u>411,771</u>
Change in Net Assets	<u>\$ 4,222</u>

Governmental Activities

The Township's total governmental revenues increased about \$11,000 from March 31, 2005. A large part of this increase is attributed to property taxes which have grown due to the new millage for library services. Most of the other revenues remained similar to previous levels.

Expenses increased by about \$58,000 from the prior year. Most categories of expenses saw slight increases or decreases except for the Road Expenses which increased by approximately \$67,500, or 85%.

Business-Type Activities

The Township had no business type activities.

The Township's Fund

Our analysis of the Township's major funds follows the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for March 31, 2006 were the General and Fire Funds. The Township's non-major funds included the Boat Ramp Fund, the Cemetery Care Fund, and the Library Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township Board did not find it necessary to amend the budget to take into account events during the year. However, the Board over-expended in the Hall and Grounds activity as reported in the notes to the financial statements.

Capital Asset and Debt Administration

At March 31, 2006, the Township had \$134,287 invested in a broad range of capital assets including land, buildings, and equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the township's financial statements because of Michigan law, which makes these roads property of the Oceana County Road Commission (along with the responsibility to maintain them).

Economic Factors and Next Year's Budgets and Rates

The Township's budget for March 31, 2007 calls for a small decrease in property taxes due to the unfavorable variance experienced in the current year. Normall, the Township would plan on a small increase in property taxes due to limited allowed property value increases (the lesser of inflation or 5%). The Township also projects that state shared revenue will decrease slightly in the year to come. General Fund expenditures were budgeted for a 1.5% decrease from the previous budget, but does include a \$15,000 increase in the parks and recreation budget to provide for improvements to Township cultural locations.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

BENONA TOWNSHIP

Government Wide Statement of Net Assets March 31, 2006

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 279,272
Taxes Receivable	20,546
Accounts Receivable - Fiduciary Funds	4,110
Property and Equipment	276,267
Accumulated Depreciation	<u>(141,980)</u>
 Total Assets	 438,215
 LIABILITIES & NET ASSETS	
Liabilities	
Accounts Payable	16,500
Due to Other Units	<u>9,162</u>
 Total Liabilities	 25,662
 Net Assets	
Invested in Capital Assets	
Net of Related Debt	134,287
Unrestricted	<u>278,266</u>
 Total Net Assets	 <u><u>\$ 412,553</u></u>

The Notes to the Financial Statements are an integral part of this statement

BENONA TOWNSHIP

Government Wide Statement of Activities For the Year Ended March 31, 2006

	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expenses) Revenue and Changes in Net Assets Governmental Activities</u>
Primary Government			
Legislative	\$ 14,289	\$ 5,433	\$ (8,856)
General Government	93,361	-	(93,361)
Public Safety	110,550	-	(110,550)
Public Works	172,546	-	(172,546)
Recreation and Culture	10,733	-	(10,733)
Unallocated Depreciation	<u>10,292</u>	<u>-</u>	<u>(10,292)</u>
Total Primary Government	<u>\$ 411,771</u>	<u>\$ 5,433</u>	<u>(406,338)</u>
General Revenues			
Property Taxes - Levied for General Purpose			282,297
State Shared Revenue			102,658
Metro Act			3,931
Interest Income			2,993
Miscellaneous			<u>18,681</u>
Total General Revenues			<u>410,560</u>
Change in Net Assets			4,222
Net Assets - April 1, 2005			<u>408,331</u>
Net Assets - March 31, 2006			<u>\$ 412,553</u>

The Notes to the Financial Statements are an integral part of this statement

BENONA TOWNSHIP

Governmental Fund Balance Sheet March 31, 2006

	General Fund	Fire Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 263,402	\$ -	\$ 15,870	\$ 279,272
Taxes Receivable	11,384	7,218	1,944	20,546
Due from Other Funds	4,110	-	-	4,110
Total Assets	\$ 278,896	\$ 7,218	\$ 17,814	\$ 303,928
LIABILITIES				
Accounts Payable	\$ 16,500	\$ -	\$ -	\$ 16,500
Due to Other Governments	-	7,218	1,944	9,162
Total Liabilities	16,500	7,218	1,944	25,662
FUND BALANCES				
Unrestricted	262,396	-	15,870	278,266
Total Fund Balance	262,396	-	15,870	278,266
Total Liabilities and Fund Equity	\$ 278,896	\$ 7,218	\$ 17,814	\$ 303,928

The Notes to the Financial Statements are an integral part of this statement

BENONA TOWNSHIP

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets For the Year Ended March 31, 2006

Total Governmental Fund Balances \$ 278,266

Total net assets reported for governmental activities in the statement of net assets are different from the amount reported as total governmental funds fund balance because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Governmental Capital Asset	\$ 276,267	
Governmental Accumulated Depreciation	<u>(141,980)</u>	<u>134,287</u>

Total Net Assets - Governmental Activities: \$ 412,553

The Notes to the Financial Statements are an integral part of this statement

BENONA TOWNSHIP

Governmental Fund Statements of Revenue, Expenditures, and Changes in Fund Balance For the Year Ended March 31, 2006

	General Fund	Fire Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$ 160,666	\$ 95,821	\$ 25,810	\$ 282,297
State Shared Revenue	102,658	-	-	102,658
Metro Act	3,931	-	-	3,931
Licenses and Permits	5,400	-	915	6,315
Charges for Services	4,483	-	950	5,433
Refunds and Reimbursements	11,341	-	-	11,341
Rentals and Royalties	75	-	-	75
Interest	2,934	-	59	2,993
Cemetery Lot Sales	950	-	-	950
Other	-	-	-	-
Total Revenues	292,438	95,821	27,734	415,993
Expenditures				
Legislative	14,289	-	-	14,289
General Government	93,361	-	-	93,361
Public Safety	14,729	95,821	-	110,550
Public Works	146,736	-	25,810	172,546
Recreation and Culture	10,733	-	-	10,733
Capital Outlay	39,027	-	-	39,027
Total Expenditures	318,875	95,821	25,810	440,506
Excess Revenue Over (Under) Expenditures	(26,437)	-	1,924	(24,513)
Fund Balance - April 1, 2005	288,833	-	13,946	302,779
Fund Balance - March 31, 2006	<u><u>\$ 262,396</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 15,870</u></u>	<u><u>\$ 278,266</u></u>

The Notes to the Financial Statements are an integral part of this statement

BENONA TOWNSHIP

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended March 31, 2006

Net Change in Fund Balances - Total Governmental Funds	\$	(24,513)
--	----	----------

Amounts reported for governmental activities in the statement of activities are different because:

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense

Capital outlay reported in governmental fund statements	39,027	
Depreciation expense reported in the statement of activities	<u>(10,292)</u>	<u>28,735</u>
Changes in Net Assets - Governmental Activities		<u>\$ 4,222</u>

The Notes to the Financial Statements are an integral part of this statement

BENONA TOWNSHIP

Statement of Net Assets - Fiduciary Fund March 31, 2006

	<u>Trust and Agency Fund</u>
Assets	
Cash and Investments	<u>\$ 7,062</u>
Total Assets	<u><u>\$ 7,062</u></u>
 Liabilities and Net Assets	
 Liabilities	
Due to Other Funds	\$ 4,110
Due to County	1,188
Due to Schools	1,659
Due to Others	<u>105</u>
Total Liabilities	7,062
 Net Assets	
Unreserved	<u>-</u>
 Total Liabilities and Net Assets	<u><u>\$ 7,062</u></u>

The Notes to the Financial Statements are an integral part of this statement

BENONA TOWNSHIP

Notes to the Financial Statements For the Year Ended March 31, 2006

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Benona Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by Benona Township.

In June, 1999, the GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- a. A Management's Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
- b. Financial statements prepared using full accrual accounting for all of the Township's activities.
- c. A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

A. Reporting Entity

The reporting entity is a general law township as defined by the laws of the State of Michigan. The Township is governed by a Supervisor and Township Board.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. Appoints a voting majority of the organization's board, and, has the ability to impose its will on the organization; or
2. There is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on this criteria, there are no other entities included in this report.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been

removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is when they become both measurable and available to finance expenditures of the fiscal period.

1. State Shared Revenue Receivable

State Shared Revenue is distributed in six installments per year. Often the last

payment has not been received by March 31; therefore; a receivable is recorded for this amount. For fiscal year-end March 31, 2006, the amount had been received so the receivable balance was \$0.

2. Property Taxes Receivable

The Township property tax is levied on each December 1st on the taxable valuation of the property (as defined by state statutes) located in the Township as of the preceding December 31st. The taxes are due on September 14th and February 14th, with the final collection date of February 28th before they are added to the County tax rolls. The 2005 delinquent taxes of \$20,342 were received in July 2006. These amounts are recorded as receivable at March 31, 2006 and have been included in revenues for the year ended March 31, 2006.

The 2005 taxable valuation of the Township totaled \$104,793,138 on which ad valorem taxes levied consisted of 1.1414 mills for general operations, .9130 mills for fire operations, and .2460 mills for library operations raising \$119,794 for general operations, \$95,821 for fire operations and \$25,810 for library operations. These amounts are recognized in the respective general and special revenue fund financial statements as current tax revenue.

The government reports the following major governmental funds:

The General fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire fund accounts for the resources of property tax revenue and charges for services that are restricted for fire protection purposes.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Fund Balance

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated as fair value. Pooled investment income is generally allocated to each fund based on the cash balance in each fund.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

Inventories and Prepaid Items - Payments for inventorable types of supplies are recorded as expenditures at the time of purchase. Normally expenditures are not divided between years by the recording of prepaid expenses. There were no material inventories at year end.

Restricted Assets - Cash in the Perpetual Care Fund is restricted. The corpus can not be spent, however income earned from the restricted cash may be used to maintain the cemetery.

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings and	15 - 50 years
Land Improvements	15 years
Equipment	5 -10 years

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The Township approves its originally adopted budget by the end of the current fiscal year. Amendments are approved periodically during the year.

Notes to the Financial Statements (continued)

The budget document presents information by fund, activity, and line items. The legal level of budgetary control adopted by the governing body is the activity level.

The Township does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Local Governmental Unit incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund -Elections	\$ 500	\$ 679	\$ (179)
General Fund -Hall & Grounds	30,000	42,913	(12,913)
General Fund -Planning	2,500	2,674	(174)
General Fund -Parks	10,000	10,733	(733)
Fire Fund -Fire Protection	-	95,821	(95,821)
Library Fund -Library Services	-	25,810	(25,810)

NOTE C DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has not adopted an investment policy in accordance with Public Act 196 of 1997.

The Township's deposits and investment policy are in accordance with statutory authority.

The Township's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and Cash Equivalents	\$ 279,272	\$ 7,062	\$ 286,334

The bank balance of the Township's deposits is \$298,748, of which \$120,463 is covered by federal depository insurance and \$178,285 is uninsured.

Notes to the Financial Statements (continued)

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used.

Investments are normally categorized to give an indication of the level of risk assumed by the Township; however, cash management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes the investments in the funds comply with the investment authority noted above.

Shelby State Bank was the sole depository actively used by the Township during the year.

NOTE D RECEIVABLES

Receivables as of year-end for the Township's individual major and non-major funds, and the fiduciary funds in the aggregate, including the applicable allowances for uncollected accounts, are as follows:

	General Fund	Fire Fund	Library Fund	Total
Taxes Receivable	\$ 11,384	\$ 7,218	\$ 1,944	\$ 20,546

NOTE E CAPITAL ASSETS

Capital asset activity of the primary government of the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not being depreciated				
Land	\$ 515	\$ 32,592	\$ -	\$ 33,107
Capital Assets Being Depreciated				
Buildings & Improvements	71,568	-	-	71,568
Machinery & Equipment	53,812	6,435	-	60,247
Land Improvements	111,345	-	-	111,345
Subtotal	236,725	6,435	-	243,160
Less Accumulated Depreciation for				
Buildings & Improvements	26,710	1,789	-	28,499
Machinery & Equipment	43,122	2,957	-	46,079
Land Improvements	61,856	5,546	-	67,402
Subtotal	131,688	10,292	-	141,980
Net Capital Assets being depreciated	105,037	(3,857)	-	101,180
Capital Assets - Net of Depreciation	\$ 105,552	\$ 28,735	\$ -	\$ 134,287

Notes to the Financial Statements (continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
Unallocated	<u>\$ 10,292</u>
Total Governmental Activities	<u><u>\$ 10,292</u></u>

NOTE F INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances is as follows:

Receivable Fund (Due From)		Payable Fund (Due To)	
<hr/>		<hr/>	
General Fund	<u>\$ 4,110</u>	Trust & Agency Fund	<u>\$ 4,110</u>
	<u><u>\$ 4,110</u></u>		<u><u>\$ 4,110</u></u>

NOTE I RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets and omissions; and natural disasters for which the Township carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

BENONA TOWNSHIP

Required Supplementary Information
 Budgetary Comparison Schedule for General Fund
 For the Year Ended March 31, 2006

	Budgeted Amounts			Variance to
	Original	Final	Actual	Final Budget
Beginning Year Fund Balance - April 1, 2005	\$ 281,000	\$ 281,000	\$ 288,833	\$ 7,833
Resources (Inflows)				
Property Taxes	174,000	174,000	160,666	(13,334)
State Shared Revenue	100,500	100,500	102,658	2,158
Metro Act	4,500	4,500	3,931	(569)
Licenses and Permits	5,000	5,000	5,400	400
Charges for Services	4,000	4,000	4,483	483
Refunds & Reimbursements	7,000	7,000	11,341	4,341
Rentals and Royalties	100	100	75	(25)
Interest	1,500	1,500	2,934	1,434
Cemetery Lot Sales	2,500	2,500	950	(1,550)
Amounts Available for Appropriation	580,100	580,100	581,271	1,171
Charges to Appropriations (Outflows)				
Legislative	17,500	17,500	14,289	3,211
General Government	124,700	124,700	132,388	(7,688)
Public Safety	16,000	16,000	14,729	1,271
Public Works	165,000	165,000	146,736	18,264
Recreation and Culture	10,000	10,000	10,733	(733)
Other	246,900	246,900	-	246,900
Total Charges to Appropriation	580,100	580,100	318,875	261,225
Budgetary Fund Balance - March 31, 2006	\$ -	\$ -	\$ 262,396	\$ 262,396

BENONA TOWNSHIP

Required Supplementary Information
Budgetary Comparison Schedule for Fire Fund
For the Year Ended March 31, 2006

	Budgeted Amounts			Variance to
	Original	Final	Actual	Final Budget
Beginning Year Fund Balance - April 1, 2005	\$ -	\$ -	\$ -	\$ -
Resources (Inflows)				
Property Taxes	-	-	95,821	95,821
Miscellaneous	-	-	-	-
Amounts Available for Appropriation	-	-	95,821	95,821
Charges to Appropriations (Outflows)				
Public Safety	-	-	95,821	(95,821)
Other	-	-	-	-
Total Charges to Appropriation	-	-	95,821	(95,821)
Budgetary Fund Balance - March 31, 2006	\$ -	\$ -	\$ -	\$ -

BENONA TOWNSHIP

Combining Balance Sheet
Non-Major Governmental Funds
March 31, 2006

	Boat Ramp Fund	Cemetery Care Fund	Library Fund	Total Non-Major Governmental Funds
ASSETS				
Cash and Investments	\$ 5,954	\$ 9,916	\$ -	\$ 15,870
Taxes Receivable	-	-	1,944	1,944
Total Assets	\$ 5,954	\$ 9,916	\$ 1,944	\$ 17,814
LIABILITIES AND FUND EQUITY				
Liabilities				
Due to Other Governments	\$ -	\$ -	\$ 1,944	\$ 1,944
Total Liabilities	-	-	1,944	1,944
Fund Equity				
Fund Balances - Unreserved	5,954	9,916	-	15,870
Total Liabilities and Fund Equity	\$ 5,954	\$ 9,916	\$ 1,944	\$ 17,814

BENONA TOWNSHIP

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Governmental Funds For the Year Ended March 31, 2006

	Special Revenue Funds			Total
	Boat Ramp Fund	Cemetery Care Fund	Library Fund	Non-Major Governmental Funds
Revenues				
Property Taxes	\$ -	\$ -	\$ 25,810	\$ 25,810
Licences and Permits	915	-	-	915
Charges for Services	-	950	-	950
Interest	-	59	-	59
Total Revenues	915	1,009	25,810	27,734
Expenditures				
Recreation and Culture	-	-	25,810	25,810
Total Expenditures	-	-	25,810	25,810
Excess Revenue Over (Under) Expenditures	915	1,009	-	1,924
Fund Balance - April 1, 2005	5,039	8,907	-	13,946
Fund Balance - March 31, 2006	<u>\$ 5,954</u>	<u>\$ 9,916</u>	<u>\$ -</u>	<u>\$ 15,870</u>

BENONA TOWNSHIP

Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual - General Fund
For the Year Ended March 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
Property Taxes	\$ 174,000	\$ 160,666	\$ (13,334)
State Shared Revenue	100,500	102,658	2,158
Metro Act	4,500	3,931	(569)
Licenses and Permits	5,000	5,400	400
Charges for Services	4,000	4,483	483
Refunds and Reimbursements	7,000	11,341	4,341
Rentals and Royalties	100	75	(25)
Interest	1,500	2,934	1,434
Cemetery Lot Sales	<u>2,500</u>	<u>950</u>	<u>(1,550)</u>
Total Revenues	299,100	292,438	(6,662)
Expenditures			
Legislative			
Township Board			
Salaries and Wages		2,700	
Fringe Benefits		207	
Professional Services		250	
Printing and Publishing		1,517	
Dues and Publications		1,693	
Education and Training		57	
Insurance		<u>7,865</u>	
Total Legislative	17,500	14,289	3,211
General Government			
Supervisor			
Salaries and Wages		9,300	
Fringe Benefits		711	
Transportation		51	
Education and Training		<u>125</u>	
	\$ 10,500	\$ 10,187	\$ 313

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Elections

Salaries and Wages	\$	349	
Fringe Benefits		27	
Professional Services		156	
Miscellaneous		<u>147</u>	

\$	500	679	\$	(179)
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Assessor

Supplies		923	
Professional Services		<u>34,976</u>	

37,000	35,899	1,101
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Clerk

Salaries and Wages		10,653	
Fringe Benefits		815	
Supplies		143	
Professional Services		<u>211</u>	

12,000	11,822	178
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Board of Review

Salaries and Wages		625	
Fringe Benefits		48	
Printing and Publishing		<u>256</u>	

1,200	929	271
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Treasurer

Salaries and Wages		13,249	
Fringe Benefits		1,014	
Supplies		2,597	
Professional Services		1,413	
Printing and Publishing		<u>68</u>	

\$	18,500	\$	18,341	\$	159
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Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Township Hall and Grounds			
Salaries and Wages		\$ 1,251	
Fringe Benefits		96	
Supplies		1,860	
Repairs and Maintenance		370	
Professional Services		746	
Utilities		4,393	
Capital Outlay		<u>34,197</u>	
	\$ 30,000	42,913	\$ (12,913)
Cemetery			
Salaries and Wages		3,884	
Fringe Benefits		297	
Supplies		652	
Repairs and Maintenance		100	
Professional Services		1,621	
Utilities		183	
Printing and Publishing		51	
Capital Outlay		<u>4,830</u>	
	<u>15,000</u>	<u>11,618</u>	<u>3,382</u>
Total General Government	124,700	132,388	(7,688)
Public Safety			
Planning			
Salaries and Wages		1,760	
Fringe Benefits		135	
Professional Services		317	
Printing and Publishing		300	
Education and Training		132	
Transportation		<u>30</u>	
	\$ 2,500	\$ 2,674	\$ (174)

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Zoning			
Salaries and Wages		\$ 10,290	
Fringe Benefits		787	
Professional Services		73	
Printing and Publishing		676	
Education and Training		146	
Transportation		<u>83</u>	
	<u>\$ 13,500</u>	<u>12,055</u>	<u>\$ 1,445</u>
Total Public Safety	16,000	14,729	1,271
Public Works			
Highways, Streets and Bridges			
Professional Services		<u>146,736</u>	
Total Public Works	165,000	146,736	18,264
Recreation and Cultural			
Parks			
Salaries and Wages		6,576	
Fringe Benefits		503	
Supplies		1,265	
Professional Services		2,369	
Repairs and Maintenance		<u>20</u>	
Total Recreation and Cultural	10,000	10,733	(733)
Contingencies	<u>246,900</u>	<u>-</u>	<u>246,900</u>
Total Expenditures	<u>580,100</u>	<u>318,875</u>	<u>261,225</u>
Excess Revenues Over			
(Under) Expenditures	(281,000)	(26,437)	254,563
Fund Balance - April 1, 2005	<u>281,000</u>	<u>288,833</u>	<u>7,833</u>
Fund Balance - March 31, 2006	<u><u>\$ -</u></u>	<u><u>\$ 262,396</u></u>	<u><u>\$ 262,396</u></u>



Hendon & Slate, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



August 11, 2006

Township Board
Benona Township
Oceana County, Michigan

Dear Board Members:

In connection with our recent examination of the financial statements of Benona Township for the year ended March 31, 2006, we offer the following comments and recommendations:

BOOKS AND RECORDS

The books and records of the Township were well maintained by the Clerk and Treasurer. However, we would once again recommend that the Clerk, fully implement the use of the current software program for all record keeping for the Township. Currently, only expenditures are being tracked through this program. This information is then posted to the Township's hand registers. The Township could have all revenue and expenditures tracked through the program and reports could be automatically generated from the program. In addition, the budget could be entered to provide the board with a budget to actual report, thus reducing the additional time needed for the clerk to prepare this report by hand. We would be happy to assist in the implementation and use of this software program.

If the Township continues to use the manual system, we have one additional recommendation. The cash disbursements journal was totaled monthly as well as totaled for the year. However, within the different functions the types of expenditures were not totaled. For instance, total clerk expenditures were listed but the total was not broken down into clerk salaries, clerk supplies, clerk education & training and etc. Before we were able to begin our audit, we spent a considerable amount of time adding up these amounts so that the detail presented within the financial statements would be possible. We suggest that the disbursements journal include annual totals for not just the function level (clerk, treasurer, etc.), but also totals for the activity level (salaries, supplies, education & training, etc.).

BUDGETING

We commend the Board for preparing the General Fund budget within all State requirements. However, we noted that budgets are not being prepared for the Fire and Library Funds. The Fire and Library millages are currently being collected and paid by the Treasurer directly to the Fire Department and Shelby Public Library. These millages are Township millages, as evidenced by the Form L-4029 filed with the County and by the remittance of delinquent Fire and Library taxes to the Township, by the County. However, the Township has an agreement with the Fire Department and the Shelby Public Library for remitting

Grand Rapids
2025 East Beltline SE
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Fax (616) 954-3990

Muskegon
4985 South Harvey Street
Muskegon, MI 49444
Phone (231) 798-1040
Fax (231) 798-8409

Fremont
711 West Main Street
Fremont, MI 49412
Phone (231) 924-6890
Fax (231) 924-4088
Toll Free (800) 924-6891

Whitehall
116 West Colby, Suite B
Century Building
Whitehall, MI 49461
Phone (231) 893-6772
Fax (231) 893-6773

Hart
1550 North Industrial Park Drive
Hart, MI 49420
Phone (231) 873-5611
Fax (231) 873-7033

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these taxes in exchange for providing fire protection and library services for the Township. Even though the taxes are not being remitted into a Township cash account and a check written to the Fire Department or Library for these services, does not mean that these taxes are not Township property. For example, if the Township choose to hire another fire department or library to provide these same services, the tax collection would not be effected, the organization receiving the tax funds would be the only change. Therefore, we recommend that the Township properly approve an annual budget for the Fire and Library Funds.

CAPITALIZATION POLICY

During our audit, we noted that the Township did not have a policy regarding the capitalization of net assets. Such a policy should be in place so that the Township can establish a dollar threshold to determine which assets have a cost and/or useful life such that it should be depreciated. We recommend that the Township adopt such a policy. A sample capitalization policy has been sent to the Township and may have already been adopted by the Board as of receipt of this letter.

INVESTMENT POLICY

We also noted that the Township does not have an investment policy. An investment policy details the types of investments that the Township may hold. We recommend that the Board adopt a policy. We have faxed a sample policy to the Clerk for the Board's consideration.

We appreciate the courtesy extended to us during the course of the audit. We will be happy to assist in the implementation of any of the recommendations mentioned in this letter or answer any questions regarding the audit.

Respectfully submitted,



Jodi DeKuiper, CPA
Hendon & Slate, P.C.